

May 4, 2015

Mr. Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314

Re: Comments on Proposed rule and Interpretive Ruling and Policy Statement 15-1; RIN 3133-AE45

Dear Mr. Poliquin:

The Credit Union National Association (CUNA) appreciates the opportunity to submit comments regarding the Board's proposed changes to the definition of "small entity" for Regulatory Flexibility Act (RFA) analysis and regulatory relief. By way of background, CUNA is the national trade association for America's state and federally chartered credit unions. CUNA represents approximately 90% of America's 6,300 credit unions and their 102 million memberships.

The proposal would amend NCUA's Interpretive Ruling and Policy statement (IRPS) 87-2, as amended by IRPS 03-2 and IRPS 13-1 by revising the definition of "small entity" to include FICUs with less than \$100 million in assets. This change could give a larger number of credit unions consideration for regulatory relief by NCUA through RFA analysis during NCUA rulemaking. CUNA has long supported regulatory relief for credit unions of all sizes and we welcome any additional avenue of regulatory relief through RFA analysis.

CUNA and its Small Credit Union Committee support the proposed \$100 million asset threshold for RFA analysis requirements as this asset level sufficiently captures small credit unions that have unique challenges and particular sensitivity to even the smallest regulatory requirement. Furthermore, we urge NCUA to adjust this threshold annually by an index that continues to capture a percentage of the smallest credit unions.

### **Regulatory Burdens are Stifling**

All credit unions have faced growing regulatory burdens and related issues, some initiated by NCUA and others imposed by different agencies, which have threatened the ability of many credit unions to continue to provide critical services to members and to expand the availability of cooperative financial services to more Americans.

Credit unions face a "crisis of creeping complexity" stemming from the more than 190 regulatory changes from at least fifteen different federal agencies resulting in over 6,000 Federal Register pages to review and implement, since 2008. There also has been an avalanche of other

changes such as extensive and ongoing modifications to the call report, examiner demands for completion of a wide variety of best practices and the like. These changes hit small credit unions particularly hard.

CUNA agrees with the Agency’s observation that regulations not only limit the ability of small credit unions to serve members, they also make it impossible for many to continue to do so. The deluge of regulations has had a significant impact resulting in the mergers of thousands of credit unions over the course of the past several decades. In 1994, there were over 12,500 U.S. credit unions; today there are roughly 6,300. Most of those that consolidated were small institutions. Still, as shown in the table below, nearly a quarter of all U.S. credit unions now operate with two or fewer full-time equivalent employees and roughly half operate with six or fewer. In all, 57% operate with ten or fewer full-time equivalents.

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**Distribution of U.S. Credit Unions by Number of FTE Employees**

**Source: NCUA and CUNA.**

<b><u>FTE Employees</u></b>	<b><u>Number of Credit Unions</u></b>	<b><u>Percent of Total Credit</u></b>	<b><u>Cumulative Percent</u></b>
2 or fewer	1,352	22%	22%
>2 to 4	967	15%	37%
>4 to 6	627	10%	47%
> 6 to 10	651	10%	57%
>10	2,676	43%	100%

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Anecdotally, leaders of many credit unions tell us they put in 70- and 80-hours a week to run their shops and keep up with the constant barrage of regulatory changes.

**A Higher Threshold Definition is Appropriate**

In this context, CUNA applauds the Agency for proposing to increase the definition of small entity and supports raising the threshold to \$100 million. We support regulatory relief for all credit unions and note that there are compelling reasons to set the threshold level even higher than \$100 million. Nonetheless, we feel the smallest credit unions are particularly vulnerable to even the least burdensome regulatory changes, such as new call report requirements. We are concerned about the potential dilution of OSCUI resources – and oppose diverting those resources away from the smaller credit unions that really need them to larger credit unions that are less likely to have a critical need. Recent research confirms that OSCUI produces results that are more positive when core activities such as consulting are concentrated in lower asset-size credit unions. For this reason, we support decoupling the threshold for OSCUI assistance from the RFA asset threshold and leaving it at \$50 million.

## **RFA Analyses**

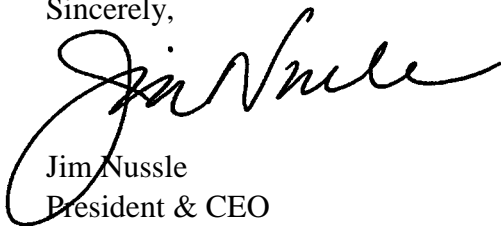
In CUNA's 2012 comment letter on this subject, we strongly urged the Agency to take its responsibility to comply with the RFA more seriously, carefully examining the marginal effect of each additional regulation. A single new regulation, considered in isolation, may not have a terribly significant impact on small institutions. However, the cumulative effects of all regulations, whether issued by the Agency or other regulatory bodies must be more rigorously considered.

We believe the Agency should aggressively seek ways to provide relief to a greater number of institutions. The current proposal is a significant step in the right direction; nevertheless, the Agency has the authority and the responsibility to do more.

## **Conclusion**

Credit unions are increasingly concerned regarding looming regulatory burdens. We urge the Agency to do all it can to minimize regulatory requirements including refraining from imposing new regulatory requirements that are not necessitated by statutes or well-documented safety and soundness issues. We also urge NCUA to do all it can to provide positive regulatory incentives to all credit unions – regardless of size - including meaningful flexibility wherever possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle", written in a cursive style.

Jim Nussle  
President & CEO

A handwritten signature in blue ink, appearing to read "Debbie Keesee", written in a cursive style.

Debbie Keesee  
Chairman, CUNA's Small Credit Union Committee